



Memorandum

DATE: September 16, 2014

TO: Diana Gomez, Contract Manager

FROM: Paula Rivera, Audit Division

CC: Finance and Audit Subcommittee of the Board
Jeff Morales, CEO
Jonathan Fong, Contract Analyst

SUBJECT: Postaward Review of HSR 13-64

I reviewed the agreement and cost proposal for draft agreement HSR 13-64 between the California High Speed Rail Authority (Authority) and Mark Thomas & Company (Contractor) for Right of Way Engineering and Surveying Services.

The scope of the review was limited to the agreement and the cost proposal dated January 21, 2014. The objectives of the review were to determine if the necessary fiscal provisions were included in the agreement and whether the proposed costs are reasonable and in compliance with the Code of Federal Regulations CFR 48, Chapter 1, Part 31 for the purpose of accepting contract progress billings. The proposed indirect rates were not audited or examined because a postaward review is significantly less in scope than an incurred cost audit or examination.

We cannot cite that this review was performed under the Government Accountability Office's *Generally Accepted Governmental Audit Standards*, because the Authority's Audit Office has not undergone a peer review. However that does not impact compliance with other applicable elements of the attestation standards. The Authority is not yet eligible to have a peer review due to the recent formation of the Audit Division and the lack of a body of work to be reviewed.

Based on the review, except as described below, no material deficiencies were noted.

Issue 1

The proposed indirect rates are misstated as follows:

<u>Contractor</u>	<u>Proposed</u>	<u>Supported</u>
Mark Thomas & Co	173.66%	160.00%
Andregg Geomatics	219.20%	198.70%
MNS Engineers	145.99%	139.90%
ESP Surveying, Inc.	212.87%	227.60%
Provost & Pritchard Consulting Group	175.00%	173.89%

Recommendation: The Contract Manager should have the cost proposal revised to reflect the supported rates noted above.

Issue 2

Proposed hourly rates were overstated, as follows:

<u>Name</u>	<u>Classification</u>	<u>Proposed</u>	<u>Supported</u>
Mike Schwoyer	Cert. Party Chief – L12	\$45.06	\$38.13
Joe Waller	Cert. Party Chief – L12	45.06	38.13
Octovio Senda	Cert. Party Chief – L12	45.06	38.13
Mike Oliveira	Party Chief	43.01	37.09

Recommendation: The Contract Manager should have the cost proposal revised to reflect the supported rates noted above.

Issue 3

PARC Civil, Inc. could not support the proposed pay and overhead rates. However, a billing rate analysis was performed and as a result, the billing rates are as follows:

<u>Employee</u>	<u>Proposed</u>	<u>Supported</u>
Amy Czajkowski	\$210.77	\$185.00
Steve Gregerson	190.77	165.00
Justin Petterson	90.33	125.00
Dari Yegorova	63.23	105.00

Recommendation: The Contract Manager should have the cost proposal revised to reflect the supported rates noted above..

Issue 4

During the course of our review, subcontractors identified the following employees who will be working in the proposed classifications as noted below:

<u>Name</u>	<u>Classifications</u>	<u>Supported</u>	<u>Firm</u>
Daniel Ariaz	CA Party Chief	\$43.01	Andregg Geomatics
Michael Ramirez	Party Chief	42.21	Andregg Geomatics
Ignacio Julian	Instrument Man	39.71	Andregg Geomatics
Wayne Schoeffler	CA LS Party Chief	38.13	Andregg Geomatics
Christopher Collins	Cert. Party Chief	37.84	Andregg Geomatics
Jacob Barbakjian	Cert. Party Chief	37.19	Andregg Geomatics
John Stanowicz	Party Chief	37.19	Andregg Geomatics
Andrew Sheehan	Chainman	31.12	Andregg Geomatics
Fred Tice	Project Manager	57.69	MNS Engineers, Inc.
Shane Sobecki	Project Surveyor	38.00	MNS Engineers, Inc.
Todd Cullison	Project Surveyor	36.00	MNS Engineers, Inc.
Masa Ueoka	Sr. Reseacher	36.06	MNS Engineers, Inc.
Robert Starr	Supervising CADD Tech	36.00	MNS Engineers, Inc.
Stella Abbott	Administrative Asst	21.32	MNS Engineers, Inc.
Justin Dickerson	Party Chief	43.01	MNS Engineers, Inc.
Hector Perez	Party Chief	43.01	MNS Engineers, Inc.
Steve Ferri	Party Chief	43.01	MNS Engineers, Inc.
Doug Lawler	Senior Engineer	42.00	Provost & Pritchard Consulting

<u>Name</u>	<u>Classifications</u>	<u>Supported</u>	<u>Firm</u>
Marty Hartwig	Licensed Surveyor	42.50	Provost & Pritchard Consulting
Dave Sorrick	Senior Engineer	40.00	Provost & Pritchard Consulting
Bryan Bower	Licensed Surveyor	40.00	Provost & Pritchard Consulting
Matthew Hofer	Associate Engineer	37.00	Provost & Pritchard Consulting
Timothy Odom	Licensed Surveyor	41.00	Provost & Pritchard Consulting
Franklin Williamson	Associate Engineer	27.50	Provost & Pritchard Consulting
Derek Lapsley	LSIT Surveyor	31.50	Provost & Pritchard Consulting
Peter Binz	LSIT Surveyor	25.00	Provost & Pritchard Consulting
Philip Melcher	Assistant Technician	26.00	Provost & Pritchard Consulting

Recommendation: The Contract Manager should have the cost proposal revised to include the employees and the associated supported rates noted above.

Issue 5

Julian Ruiz and Cesar Salazar are no longer employed by the Contractor.

Recommendation: The Contract Manager should have the cost proposal revised to remove Julian Ruiz and Cesar Salazar.

Issue 6

The draft agreement does not contain the fiscal provisions requiring subcontractors to comply with method of payment.

Recommendation: The Contract Analyst should include the fiscal provision requiring the subcontractors to comply with the method of payment.

The results were discussed with Larry Johnson, of Mark Thomas & Company. This report is intended for use by the Authority and the Federal Railroad Administration. However, this report is a matter of public record and its distribution is not limited.

Please forward a copy of the executed agreement to the Audit Division. If you have any questions, please contact me at (916) 403-2679.